# ANNUAL RESULTS 2020

Transcript of investor and analyst video presentation

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- the cyclicality of the reinsurance sector;
- central bank intervention in the financial markets, trade wars or other protectionist measures relating to international trade arrangements, adverse geopolitical events, domestic political upheavals or other developments that adversely impact global economic conditions;
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- the Group's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of the Group's financial strength or otherwise;
- the Group's inability to realize amounts on sales of securities on the Group's balance sheet equivalent to their values recorded for accounting purposes;
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investment portfolio or otherwise;

- changes in legislation and regulation, or the interpretations thereof by regulators and courts, affecting the Group or its ceding companies, including as a result of comprehensive reform or shifts away from multilateral approaches to regulation of global operations;
- the lowering or loss of one of the financial strength or other ratings of one or more companies in the Group, and developments adversely affecting its ability to achieve improved ratings;
- uncertainties in estimating reserves, including differences between actual claims experience and underwriting and reserving assumptions;
- policy renewal and lapse rates;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes and certain large man-made losses, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
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- the effects of business disruption due to terrorist attacks, cyberattacks, natural catastrophes, public health emergencies, hostilities or other events;
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[John R. Dacey]

**What are the key drivers behind Swiss Re's FY 2020 net loss of USD 878 million?**

First, we saw unprecedented losses from COVID-19, driven by business interruption, event cancellation and mortality claims. The burden on our pre-tax earnings from these losses was USD 3.9bn.

Second, we saw elevated nat cat losses, especially from the Atlantic hurricane season, secondary perils across the globe and significant man-made losses including the Beirut port explosion. These claims totalled USD 2.1bn.

Third, and in spite of the large losses, the underlying performance of our P&C businesses was strong. In P&C Re, the 97% normalised combined ratio was in line with guidance and the ex-COVID ROE was 13.2%. In Corporate Solutions, the normalised combined ratio of 97% was well ahead of our 105% estimate, a clear demonstration that the turnaround here is ahead of plan.

Fourth, Life & Health Re delivered an ROE of 10.4% excluding COVID-19 – once again delivering its target result as the franchise continues to grow.

Fifth, iptiQ maintained its strong momentum, with 76% premium growth in its core business.

Sixth and finally, we are happy to report a very strong result for Asset Management, with an ROI of 3.5% for the year.

**Can you elaborate on the impact of COVID-19 on Swiss Re in 2020 and what is expected for 2021?**

While the impact of COVID-19 on our 2020 P&L is very significant, it remains manageable and we have demonstrated that this is earnings and not a capital event for Swiss Re.

Almost 60% of our booked 2020 COVID-19 loss still relates to claims not yet reported to us - almost 70% for property and casualty exposures. This highlights our prudent approach to building reserves for eventual losses resulting from the pandemic.

Various factors may impact the development of COVID-19 claims in the coming quarters, including the future development of the pandemic itself and the effects of government actions.

While the COVID-19 crisis is therefore still evolving and many uncertainties remain, we believe that the losses are now mostly behind us.

We have conducted a thorough and comprehensive analysis of Swiss Re's potential exposures and believe that the remaining impact on our P&C businesses should be less than USD 500m in 2021. This is already captured in our current SST ratio calculations.

**Can you elaborate on the proposed capital management actions and rationale?**

In spite of the impact of COVID-19, Swiss Re's capital position remains very strong.

As of 2021, we now target a Swiss Solvency Test range of 200-250%. This will be more closely representative of how we steer our business and is more aligned with peers' positioning than our previous fixed target of 220%.

We will confirm the January 1st ratio with our Annual Report disclosure. We currently expect this will be below the mid-point of the new range, partially driven by the Q4 result and a more cautious view on inflation risk parameters.

On the basis of this very strong capital position and supported by our long-term economic earnings and sustainable capital generation, we are pleased to announce our proposal for a stable dividend of CHF 5.90 for 2020. We believe this will be attractive to our shareholders, particularly in these challenging times.

**What is the outlook for the coming year?**

In spite of the impact of COVID-19 on Swiss Re's 2020 results, we are encouraged by the strong underlying performance we see across our businesses.

We expect a normalised combined ratio below 95% in P&C Re for 2021, following the portfolio actions taken during 2020 as well as purposeful repositioning on the January 1st renewals.

We believe the outcome of these renewals reflects our underwriting priorities. Our focus on margins led to the nominal price increase of 6.5% – in excess of claims trends. We also achieved broad-based improvements in the portfolio quality by exiting businesses which did not meet our requirements, which has led to an 11% reduction in premiums written for this renewal. Overall, we expect a higher level of absolute profit as a result of the significantly better technical margins. We significantly reduced exposure to pandemic risk through actions on terms and conditions as well as pruning the most affected lines of business. In addition, we have continued to de-risk our casualty book, further shrinking exposure to US Large Corporate Risks.

In Corporate Solutions, we are ahead of target and the market conditions are favourable, with 15% price increases seen over the course of 2020 with ongoing momentum into 2021. We now expect a combined ratio of below 97% for 2021.

Our L&H Re business should continue to deliver strong underlying results within its 10-12% ROE target range – albeit likely towards the bottom end of this in the coming year, as we already indicated at our Investors' Day.

Finally, we expect the growth in iptiQ to continue to be impressive as we pursue more partnerships for the Group.

In summary, we are in a strong position to continue to support our clients and deploy capital in improving market conditions. We maintain a disciplined approach to both underwriting and capital management. We are confident in our outlook for the Group.

Thank you for your attention.